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SIPDIS

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E.O. 12958: N/A
TAGS: [EAIR](#) [SENV](#) [ECON](#) [CA](#)
SUBJECT: AMBASSADOR'S LUNCH WITH TRANSPORT MINISTER
COLLENETTE

¶1. (U) THIS MESSAGE IS SENSITIVE, BUT UNCLASSIFIED. PLEASE TREAT ACCORDINGLY.

SUMMARY

¶2. (SBU) Transport Minister Collenette indicated to Ambassador on January 31 that the GOC is ready to start "exploratory talks" on further aviation liberalization with the United States. Collenette admitted that his government sees little in cargo co-terminalization for Canada - too many small cargo jobs would be lost and Hamilton's future as the cargo hub in Canada would be threatened. He suggested two longer-range topics: how to deal with the EU and what the "North American air zone" is likely to be ten years from now. When pressed, however, Collenette said that there was no aviation issue that the GOC would preclude from discussion. In sum, talks should start with no preconditions. After all, the Deputy Transport Minister added, in the two years leading up to the current Open Skies agreement, there were far-ranging talks that helped to lay the groundwork for the quick successful agreement we did reach. It seems we are ready to embark on a similar period now, Ranger concluded.

¶3. (SBU) On other issues, Collenette agreed with the USG that the European Commission's recommendation to have Galileo use the same frequencies as those used by the military makes no sense and the GOC will support our efforts to counter the EC.

There was also a brief discussion of infrastructure issues at major land border crossings, with Collenette remarking that more inspectors are needed to help reduce line-ups. End Summary.

¶4. (U) Canadian Minister of Transport David Collenette hosted Ambassador Cellucci over lunch on January 31. His Deputy Minister Louis Ranger and Chief of Staff Sue Roland joined Collenette. DCM and Econ MinCouns accompanied the Ambassador.

Galileo

¶5. (SBU) Ambassador began the working lunch with a short explanation of why the USG is deeply concerned with the European Commission's recommendation that Galileo uses the same frequencies as those used by the military. The Minister said he was very familiar with the issue and could not agree more with the US position. While he does not have the lead in Cabinet on this, other ministers are aware of the problem and all are united that the Europeans should abandon it.

Homeland Security

¶6. (SBU) Collenette then went on to say that he and other senior GOC officials are quite anxious to get to know the new USG Homeland Security team. At various times during the lunch, the Minister explained the excellent state of working relations with USG officials over the years and his desire (along with other Cabinet members) to establish the same with Homeland Security. Ambassador encouraged Collenette in this regard, but suggested he wait until after March 1 to allow DHS time to complete its first organizational tasks.

Aviation

¶7. (SBU) Then a long discussion of aviation issues ensued. The Ambassador started with suggesting that exploratory discussions of where we might make further steps in liberalization could start. "We ought to start talking," the Ambassador said. In response to Collenette's questions, the Ambassador acknowledged that cabotage remains a tough issue for us. The Ambassador then highlighted the benefits to both sides of cargo co-terminalization. Collenette described the benefits of the current cargo system - small Canadian carriers, operating out of the hub in Hamilton - and how if Canada were to grant co-terminalization, these jobs would be lost and the Hamilton hub (now the largest cargo hub in Canada) will cease to exist. The uproar just caused by Culture Minister Sheila Copps (MP from Hamilton) would be enough on its own to stop co-terminalization in its tracks. While later admitting to the Ambassador that real benefits

would accrue to small and medium size Canadian business from such a liberalization, the political costs would just outweigh any benefits, he concluded.

18. (SBU) That said, Collenette then went on to describe the benefits of the open skies agreement of several years ago. Canadian carriers were the big winners (which they never thought they would be - at one point they even asked Transport for a 15 year phase in period, Collenette chuckled), and while the issues now before us are tough nuts to crack, both sides should be prepared to talk. Air Canada is "very competitive" and therefore would benefit from further liberalization, explained the Minister. However, the smaller Canadian carriers, such as West Jet, "could go belly-up." Louis Ranger said that before Open Skies was successfully negotiated, there were at least two years of preliminary meetings. Ranger wondered if we were not at the same starting point right now - while both sides sees little interest in catering to the other's needs, now is the time to start "exploratory talks." When pressed by the Ambassador for advice, the Minister was unable to suggest any Canadian business group whose endorsement of further liberalization would give the Liberal Government "political cover." In fact, Collenette opined, the probable successor to the current PM - Paul Martin - is probably less likely to support further liberalization ("more nationalistic") than the present administration. Two specific agenda suggestions of the Minister were: how to deal with the EU, and what the "North American air zone" is likely to look like ten years from now.

(Note: in a February 5 meeting with senior UPS officials, the Ambassador asked them about the effects of liberalizing air cargo on the future of the Hamilton hub. They quickly replied that UPS had invested quite a bit in Hamilton and it would continue to be an important part of UPS's cargo operations. In fact, they said that if liberalization were reached, Hamilton would likely to grow in investment and jobs. Toronto Airport has too many flight restrictions and no room for cargo expansion. End Note)

St. Lawrence Seaway

19. (SBU) Ranger then switched topics to the St. Lawrence Seaway. There was a request made to the IJC to investigate deepening of the Seaway - it was to cost US\$20 million - half paid by each government. Where did it stand? We did not know, but said we would get back to the Minister. Collenette said that he recently had meetings with the Georgian Bay residents who are very concerned about water levels.

Border infrastructure

10. (SBU) A short discussion of truck and road issues ensued, with Collenette explaining that Windsor, Ontario is not really interested in increasing truck traffic - and no interest in expanding current infrastructure. Rather, said the Minister, US Customs needs to increase the number of inspectors in the booths - at present Collenette said the GOC estimate the U.S. booths run at only 55% of capacity. Ambassador replied that Customs has, in fact, hired more inspectors, but those extra folks are now only working their way through the training cycles. Both agreed we need to keep our options open regarding use of the Detroit-Windsor railroad tunnel and more highways.

11. (U) Collenette concluded the luncheon by explaining he will be at an "inter-modal" conference in Denver in April during which he will make a keynote speech. He is also on the board of the International Center at Stanford, and hoped to travel to Stanford around the time of the Denver meeting.
KELLY